



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

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December 19 1996

FEDERAL COMMUNICATIONS COMMISSION  
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**BY HAND**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, Room 222  
Washington, D.C. 20554

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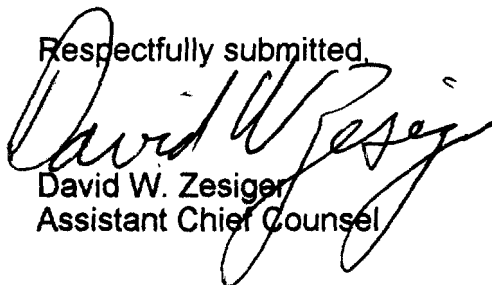
Re: In the Matter of Federal-State Joint Board  
on Universal Service, CC Docket No. 96-45

Dear Mr. Caton:

The Office of Advocacy of the U.S. Small Business Administration hereby requests the accompanying comment on the Federal-State Joint Board's Recommended Decision be included in the above-referenced docket. The Office of Advocacy transmits herewith the original and eleven copies to your office.

Thank you in advance for your assistance in this matter. If you have any questions, please contact me at 202/205-6950.

Respectfully submitted,

  
David W. Zesiger  
Assistant Chief Counsel

Enclosures

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Universal Service	)	
	)	

**COMMENT BY THE OFFICE OF ADVOCACY OF  
THE U.S. SMALL BUSINESS ADMINISTRATION  
ON THE JOINT BOARD'S RECOMMENDED DECISION**

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December 19, 1996



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## SUMMARY

The Recommended Decision raises a number of concerns for small businesses and particularly for rural small businesses. The Office of Advocacy is chiefly concerned with the decision's exclusion of major classes of rural small businesses from the protection of universal service support mechanisms. The Recommended Decision's proposal would cause significant rate increases for rural small businesses, causing some rural small businesses to discontinue telephone service and others to curtail their use of the network.

The impact of this exclusion will be enormous. Support payments totaling as much as \$1 to \$3 billion dollars could be cut from rural communities. Rates for multi-line rural small businesses would increase dramatically, discouraging economic development in rural areas. Usage of advanced telecommunications services would be stifled by higher rates, tending to further isolate rural America. The more subtle effects of this proposal are even more troubling. There is no way to measure how many rural small businesses will simply fail to add a second line or fail to subscribe to a new advanced service.

The Office of Advocacy is also concerned that the Recommended Decision proposes subscriber line charge reductions for some small businesses but none for other small businesses that are virtually as vulnerable to rate pressures.

Finally, the Office of Advocacy is concerned that the Recommended Decision contains no regulatory flexibility analysis of its impact on small business. There is no

doubt that the Recommended Decision will have more impact on small businesses than virtually any other decision to be issued under the 1996 Act. It is simply irresponsible for the Joint Board to eschew any systematic analysis of its decision's effects on small business in this proceeding.



**U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416**

OFFICE OF CHIEF COUNSEL FOR ADVOCACY

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FEDERAL COMMUNICATIONS COMMISSION  
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**COMMENT BY THE OFFICE OF ADVOCACY OF  
THE U.S. SMALL BUSINESS ADMINISTRATION  
ON THE JOINT BOARD'S RECOMMENDED DECISION**

The Office of Advocacy of the United States Small Business Administration submits the following comments in the above-referenced proceeding. The Office of Advocacy was established by Congress in 1976 to serve as a voice for small business within the federal government. Its statutory duties include serving as a focal point for concerns regarding the federal government's policies as they affect small business, representing the views of small business before other federal agencies, developing



proposals for changes in federal agencies' policies and communicating its proposals to the agencies.<sup>1</sup>

### *I. Introduction*

The Recommended Decision raises a number of concerns for small businesses and particularly for rural small businesses. The Office of Advocacy is chiefly concerned with the decision's exclusion of major classes of rural small businesses from the protection of universal service support mechanisms. The Recommended Decision's proposal would cause significant rate increases for rural small businesses, causing some rural small businesses to discontinue telephone service and others to curtail their use of the network.

This exclusion of small businesses from universal service support (1) is contrary to a plain reading of the Telecommunications Act of 1996 ("1996 Act," "Act"), (2) violates the 1996 Act's requirement that rural and urban rates be "reasonably comparable," (3) violates the 1996 Act's requirement that telecommunications services be "affordable", and (4) discourages rural subscribers' access to advanced telecommunications services.

The impact of this exclusion will be enormous. Support payments totaling as much as \$1 to \$3 billion dollars could be cut from rural communities. Rates for multi-line rural small businesses would increase dramatically, discouraging economic development in rural areas. Usage of advanced telecommunications services would be stifled by higher

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<sup>1</sup> 15 U.S.C. § 634c(1)-(4).



rates, tending to further isolate rural America. The more subtle effects of this proposal are even more troubling. There is no way to measure how many rural small businesses will simply fail to add a second line or fail to subscribe to a new advanced service. Ultimately, this proposal threatens to reverse the impact of new telecommunications technologies on rural America. Instead of empowering rural communities to link up with the rest of the nation, higher rates would tend to further reinforce rural America's isolation.

The Office of Advocacy is also concerned that the Recommended Decision proposes subscriber line charge reductions for some small businesses but none for other small businesses that are virtually as vulnerable to rate pressures.

Finally, the Office of Advocacy is concerned that the Recommended Decision contains no regulatory flexibility analysis of its impact on small business. There is no doubt that the Recommended Decision will have more impact on small businesses than virtually any other decision to be issued under the 1996 Act. It is simply irresponsible for the Joint Board to eschew any systematic analysis of its decision's effects on small business in this proceeding.

II. *The Recommended Decision Excludes Many Rural Businesses From the Scope of Universal Service Support Mechanisms.*

Section IV.E. of the Recommended Decision proposes to restrict or eliminate entirely universal service support mechanisms for business consumers and other

institutional consumers.<sup>2</sup> It offers, however, very little justification to substantiate what would be an historic and fundamental cut in the universal service guarantee to rural, high-cost areas. The Recommended Decision proposes to eliminate immediately all universal service support for all multiple line business users and reduce immediately universal service support for all single line business users. It also suggests a complete termination of support for single line business users at some undefined point in the future.<sup>3</sup>

*A. The Recommended Decision Construes the 1996 Act's Reference to "Consumers" Overly Narrowly.*

The Recommended Decision interprets the term "consumers" in section 254(b)(3) to exclude major classes of rural small businesses from universal service support.<sup>4</sup> The Recommended Decision imposes a distinction among classes of "consumers" where none is warranted and none was intended. The Act's purposefully broad reference to "consumers" suggests no such restriction. Moreover, none of the seven "universal service principles" suggests any restriction on the kinds of consumers protected by the Act's universal service policy.

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<sup>2</sup>In the Matter of Federal-State Joint Board, CC Docket no. 96-45, Recommended Decision (rel. November 8, 1996)("Recommended Decision") at ¶¶ 91-92.

<sup>3</sup> The Decision also proposes eliminating universal service support mechanisms for certain classes of residential consumers. The mandate of the Office of Advocacy, however, is to represent the views and interest of small businesses. This comment, therefore, does not address this portion of the Joint Board's Decision.

<sup>4</sup> 47 U.S.C. § 254(b)(3).

The legislative history of § 254(b)(3)'s reference to "consumers" clarifies Congress' intent in passing this all-encompassing mandate for universal service support. The Senate Committee Report states: "the Committee intends that any action to reduce or eliminate support mechanisms shall only be done in a manner consistent with the obligation to preserve and advance universal service for all Americans."<sup>5</sup> The report's explanation of the evolving nature of the universal service concept also references the all-encompassing scope of the universal service principles: "The Committee intends that the Joint Board and FCC will periodically update [the concept of universal service] to ensure that all Americans share in the benefits of new telecommunications technologies."<sup>6</sup>

The legislative history of Section 254 includes a number of floor statements by key members of the relevant committees that underscore Congress' intent in codifying the universal service concept. Senate Commerce Committee Chairman Larry Pressler, a prime author of the 1996 Act, explicitly included rural small businesses as benefiting from its universal service provisions: "For the small business located in a smaller town, it will mean that a small businessman there will be on an equal footing with a bigger businessman in an urban center...."<sup>7</sup> He also cited the "benefits to consumers, farmers, small business people, and universities" of the Act's policies for rural areas.<sup>8</sup> Senator Conrad Burns envisioned no diminution of universal support for rural businesses and other rural institutions when he stated in debate over S.652: "The report also protects the continuation of universal service, an essential feature, especially for rural areas where

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<sup>5</sup> S. Rep. No. 104-23, at 26 (emphasis added).

<sup>6</sup> Id. at 27 (emphasis added).

<sup>7</sup> 142 Cong. Rec. S687 (1996) (emphasis added).

competition will be slow to evolve.”<sup>9</sup> Senator Kent Conrad stated in the same debate:

“This legislation explicitly preserves the universal service fund which subsidizes telephone services to rural areas.”<sup>10</sup> Finally, Senator Olympia Snowe stated: “Indeed, the concept of universal service was established ... so that all Americans can communicate with each other on approximately equal footing. It was an important economic development tool, as well. Everyone in our country must be able to engage in commerce using the tools and technologies necessary to interact with buyers and sellers ...”<sup>11</sup>

None of these statements would suggest anything like what the Recommended Decision is proposing to do in cutting universal support for many rural businesses. Conversely, there are no statements that openly embrace or even suggest the restrictive course proposed in the Recommended Decision. All these statements point very clearly to the Congressional intent of preserving universal service as a vital protection for all rural Americans – explicitly including rural businesses.

The Joint Board’s recommendation must also be seen in historical perspective as well. Universal service support mechanisms have always encompassed all rural consumers. No major group of rural consumers has ever been excluded. Rural small businesses specifically have never been excluded. Thus, none of these legislators had any reason to think that the Joint Board might propose cutting universal service for small rural businesses.

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<sup>8</sup> Id.

<sup>9</sup> 142 Cong. Rec. S700 (1996).

<sup>10</sup> 142 Cong. Rec. S703 (1996) .

*B. The Recommended Decision proposes to eliminate Immediately All Universal Service Support for Multi-Line Businesses.*

The Recommended Decision singles out rural multi-line businesses for a complete and immediate elimination of all universal service support. This would have a serious impact on a wide variety of rural small businesses, including, for example, farms, doctor's offices, nursing and nursing homes.

The decision distinguishes between rural single-line businesses and multi-line businesses by finding "similarities" that make single-line businesses more akin to single-line residences than to other businesses. These similarities are then used to justify the exclusion of all other rural businesses, although no compelling rationale for this is offered. The similarities cited, however – the need for access for health, safety and employment reasons and the lack of competitive options – would apply equally well to most multi-line rural businesses.

The Recommended Decision adds a further observation that "the cost of service is unlikely to be a factor that would cause a multiple-connection business not to subscribe to telephone service."<sup>12</sup> While this may be true of Saturn or IBM plants, e.g., in rural areas, it is distinctly not true for most multi-line rural businesses. Most multi-line rural businesses continue to be small businesses by any measure. Many of them more closely

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<sup>11</sup>142 Cong. Rec. S708 (1996)(emphasis added).

resemble single-line businesses and single-line residences than the Saturn or IBM plants that they are often lumped together with when these distinctions are made. In reality, most rural multi-line businesses are small and face real affordability constraints.<sup>13</sup> They are rarely high-margin businesses. They face real limits as to the scale of cost increases they can recoup from their rural customers. They are typical of rural economies as a whole where incomes and prices are extremely stable and oftentimes stagnant. Significant telephone rate increases for these businesses are as likely to be cost-prohibitive as they would be for single-line rural businesses.

The Recommended Decision's distinction between single- and multi-line businesses also affects a wide variety of other rural institutional users that are essential to rural economies and rural societies. These include city halls, police stations, churches, local school boards, volunteer fire departments, state rural health centers, tribal council offices, etc. Many such public entities are not in a position to absorb significant cost increases without diminishing the services they provide rural residents. Arizona Health, a participant in this proceeding, is a good example. Not only will their state rural health offices not be eligible for reduced rates for advanced services as a "health care provider" under section 254(h)(5)(B); they will apparently also face significant rate increases for their current telecommunications services as "multi-line business subscribers."

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<sup>12</sup> Recommended Decision at ¶ 92.

<sup>13</sup> For a further discussion of the affordability issues this part of the Recommended Decision raises, see section II.F., *infra*.

Some approximation of the impact this part of the Joint Board's decision can be seen in rate statistics developed by the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) last year in the context of the Commission's CC Docket No. 80-286. The report, entitled "Keeping Rural America Connected," developed a series of estimates of the impact of removing various forms of universal service subsidies.<sup>14</sup> The report measured costs of all forms of telephone service – both residential and business. The report estimated that the total average monthly increase in costs of service for the typical OPASTCO subscriber would range from \$3.57/line/month (or 19.50%) for OPASTCO subscribers in Ohio to \$46.96/line/month (or 288.81%) for OPASTCO subscribers in New Mexico. The increase in cost of service for OPASTCO subscribers across all states would average \$12.84/line/month or an 80.70% increase. (The average increases in monthly local costs of service for all states are found in Appendix A). Of course, in a competitive environment, local exchange carriers will be forced to pass on all or virtually all such costs to their subscribers.

Citing average increases for the rural subscribers masks significant variations in cost of service within each state. The OPASTCO study also reports the high and low extremes within each state. Thus, while costs to serve OPASTCO subscribers in Ohio would increase \$3.57/line/month on average, the highest increase would be

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<sup>14</sup>Organization for the Protection and Advancement of Small Telephone Companies, *Keeping Rural America Connected: Costs and Rates in the Competitive Era*, (1994) (hereinafter "Keeping Rural America Connected"). The study analyzes data from OPASTCO members which typically serve the high-cost rural areas at issue in the universal service proceeding. While the study's data do not encompass high-cost areas served by other carriers, they represent one of the only, if not the only, data set that tracks the impacts of universal service support cuts on rural, high-cost areas.

\$15.31/line/month. While costs to serve OPASTCO subscribers in New Mexico would increase an average of \$46.96/line/month, the highest increase would be \$126.08/line/month. (The high and low increases for each state are found in Appendix B).

*C. The Recommended Decision Immediately Reduces Universal Service Support for Single-Line Businesses.*

While the Recommended Decision proposes to continue universal service support for rural single-line businesses, it also proposes an immediate reduction in their support.<sup>15</sup> Singling out rural small businesses this way not only violates the natural meaning of the Act's reference to "consumers" but also violates the Joint Board's reasoning for distinguishing between single- and multi-line businesses. Paragraph 91 of the Recommended Decision asserts several ways in which single-line residences and single-line businesses are similar:

Both single-line business and residential subscribers require access for health, safety and employment reasons. Moreover, like residential subscribers, most single-line businesses have few or no competitive options for local telecommunications service.<sup>16</sup>

The Recommended Decision also noted that: "the Commission has, in the past, elected to treat single-line businesses like residential customers..."<sup>17</sup>

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<sup>15</sup> Recommended Decision at ¶ 92.

<sup>16</sup> Id. at ¶ 91.

<sup>17</sup> Id.



The Recommended Decision then proceeds to treat single-line businesses very differently than single-line residences. It proposes to cut universal service support for single-line businesses in an amount designed to match exactly the premium that businesses currently pay over residential rates. The irony of this proposal is painfully obvious. The Joint Board uses the premium single line business pay over single-line residential rates to determine the level of cuts in those business' support.

Although the Recommended Decision is not proposing a complete elimination of support in this instance, the cuts proposed would have a serious impact on the most vulnerable small rural businesses. This reduction in support would discourage subscribership and utilization of telecommunications services in general by these businesses.

*D. The Recommended Decision Suggests Cutting All Universal Service Support for Single-line Businesses in the Future.*

The Recommended Decision ends its discussion of the extent of universal service support by suggesting a complete elimination, at some undefined point in the future, of all universal service support even for single-line businesses:

We note that, as competition develops, it may be unnecessary to provide even this reduced support for services carried on the initial connection of businesses in high cost areas.<sup>18</sup>

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<sup>18</sup> Id. at ¶ 92.

The Recommended Decision offers no rationale for this suggested elimination of universal service support for rural single-line small businesses beyond a vague reference to the arrival of competition. It is almost certain, however, that competition will never reach a number of rural, high-cost areas. To suggest the total elimination of support for single-line businesses is irresponsible. There is no realistic scenario under which all support could be dropped without having an enormous impact on rural small businesses. Clearly, elimination of universal service support for single-line businesses would shift significant costs onto rural small businesses and further discourage their participation in and use of the telephone network..

The smallest rural businesses represent the most vulnerable segment of the rural business community. Failure rates for businesses this size – sole proprietorships and businesses employing less than five employees – are twice??? the national average for all businesses. Margins are the slimmest for these businesses, particularly in rural areas. These businesses also typically have the least ability to pass on increased costs to their customers in the form of higher prices.

*E. Excluding Rural Businesses from Universal Service Support Violates the 1996 Act's Requirement that Rates be "Reasonably Comparable" Between Rural and Urban Users.*

The 1996 Act contains several provisions that require rural and urban rates for telecommunications services be “reasonably comparable.” The Recommended Decision’s proposed limitation and ultimate restriction of universal service support for rural businesses, however, would almost certainly lead to a significant disparity between rural and urban business rates. The Office of Advocacy therefore recommends that the Joint Board and the Commission modify the proposed cuts in universal service support.

This fundamental principle of universal service is expressly affirmed three times in Section 254. Section 254(b)(3) establishes a “universal service principle” which mandates that consumers in all regions of the nation have rates and access to telecommunications services that are reasonably comparable to the rates and access available in urban areas.<sup>19</sup> Section 254(g) requires reasonably comparable rates between rural and urban rates for interexchange services.<sup>20</sup> Section 254 (h)(10(A) requires carriers to provide reasonably comparable rates to health care providers in rural and urban areas.<sup>21</sup>

The legislative history of the 1996 Act clarifies congressional intent that rural and urban consumers pay reasonably comparable rates for telecommunications services. The Conference Report notes that for interexchange services “subscribers in rural and high cost areas throughout the Nation are able to continue to receive ... [such] services at rates no higher than those paid by urban subscribers.”<sup>22</sup> For health care providers, it stipulated that “rates for the service shall be rates that are reasonably comparable to rates charged

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<sup>19</sup> 47 U.S.C. 254(b)(3).

<sup>20</sup> 47 U.S.C. § 254(g).

<sup>21</sup> 47 U.S.C. § 254(h)(1)(A).

for similar services in urban areas.”<sup>23</sup> The Senate Commerce Committee Report further emphasizes this principle in the case of interexchange services by stating its desire “to ensure that competition in telecommunications services does not come at the cost of higher rates for consumers in rural and remote areas.”<sup>24</sup>

Congressional debate further emphasized the importance Congress attached to the principle of reasonable comparability between rural and urban rates. Senator Olympia Snowe, a leading proponent of the Act’s universal service provisions, stated “[r]esidents of rural areas should bear no more cost for essential telecommunications services than residents of densely populated areas.”<sup>25</sup> Rep. Blanche Lincoln, a member of the House Commerce Committee and the Telecommunications and Finance Subcommittee, stated the Act “ensure[d] that the coordinated Federal-State universal service system provides consumers living in rural and high-cost areas with access to advanced telecommunications services at reasonably comparable rates.”<sup>26</sup>

The Joint Board’s proposal to limit and eliminate altogether universal service support for different groups of rural small businesses will almost certainly lead to significantly higher rates for rural small businesses than for urban small businesses. The proxy models proposed in this proceeding illustrate this point. The two primary proxy models typically estimate the differential between the lowest and highest cost areas in the

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<sup>22</sup> H.R. Rep. No. 104-458 (1996) at 132..

<sup>23</sup> Id. at 133.

<sup>24</sup> S. Rep No. 104-23 (1996) at 30 (emphasis added).

<sup>25</sup> 142 Cong. Rec. at S708 (1996).

<sup>26</sup> 142 Cong. Rec. H1163.(1996).

\$50-\$100/line/month range (see discussion of monetary impact, *infra*). Even comparisons between less extreme population density areas yield significant differentials in both proxy models.

Clearly, these kinds of rate differentials would violate any reasonable interpretation of the “reasonably comparable” rates mandate in section 254(b)(3). While the Joint Board has been given the authority to reform universal service support mechanisms, it is not free to violate this fundamental principle of rural/urban comparability.

*F. The Recommended Decision’s Exclusion of Many Rural Businesses from Universal Service Support Violates the 1996 Act’s Mandate that Rates Be “Affordable” for All Americans.*

Another central tenet of the universal service concept established by the 1996 Act is that rates be “affordable” for all Americans. While this is a new and relatively undefined aspect of universal service, there is no mistaking its importance to Congress. This principle is asserted not once but twice in section 254. Section 254(b)(1) includes affordability as part of the first universal service principle. “Quality services should be available at just, reasonable, and affordable rates.”<sup>27</sup> The principle of affordability is later asserted as an affirmative obligation in section 254: “The Commission and the States

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<sup>27</sup> 47 U.S.C. § 254(b)(1).

should ensure that universal service is available at rates that are just, reasonable, and affordable.”<sup>28</sup>

The legislative history of these provisions indicates the importance of this concept to Congress and the fact that the concept of affordability was intended to apply to business as well as residential consumers. Senator Thomas Daschle stated during debate on passage of the Conference Committee report:

I believe that telecommunications reform is essential in preserving the economic vitality of rural America and am optimistic that the affordable accessibility to these new telecommunications services will be the harbinger for a new renaissance among the main street economies in communities throughout rural America.... And all across main street South Dakota, small businesses are reducing their overhead via networking services, reducing their paper work through electronic mail and saving thousands of dollars a year in travel expenses through their use of teleconferencing.... As these technologies continue to develop, the playing field for economic development will begin to level.<sup>29</sup>

Some commenters in this proceeding appear to have assumed that rural businesses will simply be able to pass the inevitable significant rate increases on to their customers and thus need not enjoy the same universal service support protections.<sup>30</sup> Undoubtedly some – probably the largest – would be able to do so. Many more, however, will not. Rural businesses are typically lower volume, lower margin enterprises. They grow at slower rates and suffer higher failure rates than their urban counterparts. They have comparatively little ability to pass costs on to their customers. Affordability is a real concern for rural small businesses.

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<sup>28</sup> 47 U.S.C. § 254(i).

<sup>29</sup> 142 Cong. Rec. at S709 (1996) (emphasis added).

The meaning of “affordability” is explored in Section V of the Recommended Decision. In that discussion the Joint Board concludes that the definition of affordable necessarily contains two aspects: “both an absolute component (‘to have enough or the means for’) and a relative component (‘to bear the cost of without serious detriment’).”<sup>31</sup> The Recommended Decision’s exclusion of major groups of rural small businesses will lead to rates that many will consider unaffordable. For many marginal rural small businesses in the highest cost areas, it will be a matter of absolute affordability. For many more rural small businesses it will be a matter of relative affordability. In either case, the Joint Board must acknowledge that its proposals will violate the principle of affordability and adjust them accordingly.

One objective measure of the affordability of higher telephone rates for rural businesses is available through OPASTCO’s “Keeping Rural America Connected” study. The study includes the results of a survey of business subscribers of OPASTCO members that asked businesses whether they would disconnect their telephone service if charges increased. There can be no better test of affordability – and the success of any universal service plan – than this. The results of the survey were significant. At a \$10 increase, 3.6% of businesses responded they would discontinue service altogether.<sup>32</sup> The number rises to nearly 20 percent with rate increases of \$25.<sup>33</sup> Rate increases of this magnitude would be likely in numerous rural areas under the current proposal. The Recommended

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<sup>30</sup> See, e.g., Citizens Utilities comments.

<sup>31</sup> Recommended Decision at ¶ 125.

<sup>32</sup> *Keeping Rural America Connected* at 6-14.

Decision's proposed cuts would thus be likely to have a significant impact on subscribership among rural small businesses.

The OPASTCO also surveyed businesses' willingness to relocate in the face of significant rate increases. Close to 9% of businesses indicated they would consider relocating if faced with rate increases of 25% or greater.<sup>34</sup> Another 25% of businesses responded they did not know, potentially further inflating the number of businesses that relocate from high cost areas if faced with significant telephone rate increases.

The question of affordability goes well beyond simply measuring those that would discontinue service or relocate to a different community. The more subtle effects of cutting universal service support for many rural small businesses are more pervasive and more detrimental to rural economies. There is no way to measure accurately how many rural small businesses will simply fail to add a second line or fail to subscribe to advanced services. Neither can the impact of these decisions on rural economies overall be measured. It is certain, however, that all such decisions will further depress and marginalize rural economies.

*G. The Proposed Exclusions from Universal Service Support Will Discourage Access to Advanced Telecommunications Services in Rural Areas.*

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<sup>33</sup> Id.

<sup>34</sup> Id. at 6-11, 13.



The Recommended Decision's proposed cuts in universal service support for rural small businesses would also have a serious impact on these businesses' access and utilization of advanced telecommunications services, violating another of the universal principles mandated by the 1996 Act. Section 254(b)(2) states: "Access to advanced telecommunications and information services should be provided in all regions of the Nation."<sup>35</sup> Section 254(h) also goes to significant lengths to encourage rural access to advanced telecommunications services – a section the Recommended Decision has proposed to spend as much as \$2.25 billion annually to implement.

By distinguishing between small rural single-line businesses and small rural multi-line businesses, the Recommended Decision would establish a structural disincentive for all rural single-line business to expand their telephone service to accommodate a separate fax line or a dedicated computer line. Increased telephone costs for small rural multi-line businesses would also discourage usage of advanced features such as call waiting or call answering. The Recommended Decision, however, neither recognizes the unintended consequences of its proposal nor attempts to estimate its impact on usage of advanced telecommunications services in rural areas.

This is a particularly troubling aspect of the Recommended Decision's proposal given the promise of telecommunications as a tool to break the relative isolation of rural America and putting it on an equal footing with urban areas. It is also a particularly ironic

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<sup>35</sup> 47 U.S.C. § 254(b)(2).